

The Lodestar Group
110 East 59th Street
26th Floor
New York, N.Y. 10022
212-446-3300

June 28, 1990

The Board of Directors of
Caesars New Jersey, Inc.
1801 Century Park East
Suite 2600
Los Angeles, CA 90067

Attention: Philip L. Ball
Senior Vice President, General Counsel

Gentlemen:

Caesars New Jersey, Inc. (the "Company") understands that Caesars World, Inc. ("Parent"), which currently owns approximately 86.6% of the outstanding common stock of the Company (the "Common Stock"), is considering a possible transaction pursuant to which it would acquire all or a portion of the Common Stock it does not currently own (a "Transaction"). The Board of Directors of the Company has authorized the Company to retain Lodestar Partners, L.P. ("Lodestar") on behalf of the Board of Directors of the Company to render its opinion (the "Opinion") to the Board of Directors as to whether or not the proposed consideration to be received by the holders of the Common Stock, other than Parent, in the Transaction is fair, from a financial point of view, to such holders.

As compensation for Lodestar's services in rendering the Opinion to the Board of Directors of the Company, the Company agrees to pay Lodestar a fee of \$250,000, of which \$100,000 will be payable in cash on the date of this letter and \$150,000 will be payable in cash on the first date that Lodestar informs the Board of Directors of the Company that it has completed the work necessary for it to render, and is prepared to render, the Opinion. In addition, the Company agrees to reimburse Lodestar, upon request made from time to time and supported by reasonably satisfactory documentation, for its reasonable out-of-pocket expenses incurred in connection with its activities under this letter, including the reasonable fees and disbursements of its legal counsel.

It is understood that the Opinion will be prepared and rendered solely for the benefit and confidential use of the Board of Directors of the Company and (except and to the extent that it may be required by law) will not be reproduced, summarized,

described or referred to or given to any other person without Lodestar's prior written consent, which consent shall not be unreasonably withheld. It is further understood that if, pursuant to the preceding sentence the Opinion is to be included in a proxy statement, Statement on Schedule 14D-9 of the Company or other form of written public disclosure, the Opinion will be reproduced in full, and any description of or reference to Lodestar or summary of the Opinion will be in a form reasonably acceptable to Lodestar and its counsel. Except as provided in this letter, the Opinion will not be reproduced, summarized, described or referred to without Lodestar's prior written consent.

It is also expressly understood that the Opinion and any other services performed by Lodestar in connection with this letter agreement will be rendered for the sole benefit of the Board of Directors of the Company and that nothing herein or in the Opinion or any other services to be rendered or performed in connection with this letter agreement, either express or implied, is intended or shall be construed to confer upon or give any person other than the Board of Directors of the Company and Lodestar, any rights or remedies under or by reason of this letter agreement or the Opinion or any other services to be rendered or performed in connection herewith.

The Company will furnish Lodestar (and will request that Parent furnish Lodestar) with such information as Lodestar believes appropriate to its assignment (all such information so furnished being the "Information"). The Company recognizes and confirms that Lodestar (a) will use and rely primarily on the Information and on information available from generally recognized public sources in rendering the Opinion without having independently verified the same, (b) does not assume responsibility for the accuracy or completeness of the Information and such other information and (c) will not make an appraisal of any assets of Parent or the Company.

The Company agrees to indemnify Lodestar and its affiliates and their respective directors, officers, employees, agents and controlling persons (Lodestar and each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under any applicable federal or state law, or otherwise, related to or arising out of the performance by Lodestar of any services in connection with this letter agreement and will reimburse any Indemnified Party for all expenses (including counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party. The Company will not be liable under the foregoing indemnification provision to the extent that any loss, claim damage, liability or expense is found in a final judgment by a court to have resulted primarily from Lodestar's gross negligence, bad faith or willful misconduct in performing

the services which are the subject of this letter agreement. The Company also agrees to waive the right to trial by jury in the context of any claim relating to Lodestar's services and advice.

If for any reason (other than as specified in the penultimate sentence of the preceding paragraph) the foregoing indemnification is unavailable to any indemnified party or insufficient to hold it harmless as contemplated herein then the indemnifying party shall contribute to the amount paid or payable by the Indemnified Party as a result of such loss, claim, liability or expense in such proportion as is appropriate to reflect not only the relative benefits received by the Company and its affiliates, on the one hand, and Lodestar or any other applicable Indemnified Party, as the case may be, on the other hand, but also the relative fault of the Company and its affiliates and Lodestar or any Indemnified Party, as the case may be, as well as any other relevant equitable considerations. The reimbursement, indemnity and contribution obligations of the Company under this and the preceding paragraph shall be in addition to any liability which the Company may otherwise have, shall extend upon the same terms and conditions to any affiliate of Lodestar and the directors, officers, employees, agents and controlling persons (if any), as the case may be, of Lodestar and any such affiliate and shall be binding upon and inure to the benefit of any successors, assigns, heirs and personal representatives of the Company, Lodestar, any such affiliate and any such person. The provisions and the preceding paragraph shall survive any termination of the authorization provided by this letter agreement.

Promptly after receipt by an Indemnified Party of notice of any complaint or the commencement of any action or proceeding with respect to which indemnification is being sought hereunder, such person will notify the Company in writing of such complaint or of the commencement of such action or proceeding. If the Company so elects, it will assume the defense of such action or proceeding, including the employment of counsel reasonably satisfactory to Lodestar and the payment of fees and disbursements of such counsel. In the event, however, that such Indemnified Party reasonably determines in its judgment that having common counsel would present such counsel with a conflict of interest (including, without limitation, where such counsel refuses to assert on behalf of such Indemnified Party one or more reasonable defenses which are available to it and are different from or in addition to those available to the Company) or if the Company fails to assume the defense of the action or proceeding or to employ counsel reasonably satisfactory to such Indemnified Party, in either case in a timely manner, then such Indemnified Party may employ separate counsel to represent or defend it in any such action or proceeding and the Company will pay the reasonable fees and disbursements of such counsel; provided, however, that the Company will not be required to pay the fees and disbursements of more than one separate counsel for all Indemnified Parties in any jurisdiction in any single action or proceeding. In any action or proceeding the defense

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of which the Company assumes, the Indemnified Party will have the right to participate in such litigation and to retain its own counsel at such Indemnified Party's own expense. The Company agrees that it will not, without the prior written consent of Lodestar (which consent will not be unreasonably withheld), settle, compromise or consent to the entry of any judgment in any pending or threatened action or proceeding in respect of which indemnification may be sought hereunder, unless such settlement, compromise or consent includes an unconditional release of Lodestar and each other Indemnified Party from all liability arising out of such action or proceeding.

This authorization may be terminated by the Board of Directors of the Company or Lodestar, at any time with or without cause, effective upon receipt of written notice to that effect by the other party.

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to Lodestar the duplicate copy of this letter enclosed herewith.

Very truly yours,


LODESTAR PARTNERS, L.P.

By: Lodestar Management, Inc.
General Partner

By: 

Accepted and Agreed
to as of the date first
written above:

CAESARS NEW JERSEY, INC.

By: 
[Title] *Secretary*